

ACCOUNTING

Time allowed: 1½ hours

Total marks: 100

[N.B.-Figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

			Marks
1.	a.	Differentiate between capital expenditure and revenue expenditure.	4
	b.	Following were extracted from the books of XYZ Company for the year ended 31 December 2013: (i) Advertising supplies costing Tk. 550,000 were purchased on 01 January 2013. An inventory count as at 31 December 2013 revealed that Tk. 50,000 of advertising supplies is still in hand. (ii) Insurance premium costing Tk. 12,000 was paid on 01 October 2013 under one-year fire insurance policy beginning from the same date. (iii) Factory machinery was purchased at a cost price of Tk. 100,000 on 1 January 2013. Other related expenditures are for sales taxes Tk.8,000, insurance during shipping Tk.3,000, installation & testing Tk.1,000 and three-years accident insurance policy Tk.6,000. The machinery has been in operation from January 2013 and has an estimated useful life of four (04) years with no salvage value. Straight line method is used to calculate depreciation. Requirements: You are required to classify the above into revenue items and capital items.	12
2.		On January 1, 2013, Rupali Limited purchased a Limousine at an acquisition cost of Tk 28,000,000. The vehicle has been depreciated by the straight line method using a 4 year service life and a Tk 4,000,000 salvage value. The company's fiscal year ends on December 31. Requirements: Prepare the journal entry or entries to record the disposal of the limousine assuming that it was: a) Retired and scrapped with no salvage value on January 1, 2017 b) Sold for TK 5,000,000 on July 1, 2016 c) Traded in with a new limousine on January 1, 2016. The fair market value of the old vehicle was Tk.9,000,000 and Tk.22,000,000 was paid in cash.	6
3.		M/s Samrat & Co. had an inventory of Tk.75,000 at 1 January 2013. Goods costing Tk.45,000 were purchased, incurring carriage inwards of Tk.1,500 during the year. Goods costing Tk.100,000 were sold at a mark up of 40%, incurring delivery costs of Tk.2,500 to the customers. Goods costing Tk.15,000 have been stolen and the insurance company has agreed to pay 75% of the cost. Goods costing Tk.2,000 were withdrawn for personal use and Tk.4,500 were held in inventory at 31 December 2013 with estimated net realizable value of Tk.3,500. Requirements: a. Calculate gross profit for the year ended 31 December 2013. b. Identify the underlying accounting assumptions behind the accounting treatment of inventories.	10 4

[Please turn over]

inventories.

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4 a. "A balanced trial balance does not always prove that the company has recorded all transactions or that the ledger is correct" – Mention three types of errors in support of this statement.

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b. The following trial balance was prepared from the ledger accounts of Syed Hafiz Co:

Syed Hafiz Co. Trial Balance at 31 December 2013		
Account Title	Debit (Taka)	Credit (Taka)
Cash in hand	3,700	
Accounts receivable	7,500	
Office supplies	2,200	
Office equipment	5,000	
Accounts payable		4,500
Unearned revenue		1,100
Capital		8,500
Drawing	2,000	
Service revenue		10,300
Salaries	3,200	
Office expenses	800	
Total	24,400	24,400

On the review of the records, following errors were identified:

- Cash received from a customer in payment of its account was debited for Tk. 2,100 with corresponding credit to accounts receivable. However, the actual collection was for Tk.1,200.
- The purchase of a computer on credit for Tk.1,500 was recorded as a debit to office supplies for Tk.1,500 with a corresponding credit to accounts payable.
- Services were performed for a client on credit for Tk.6,100. Accounts receivable was debited for Tk.6,100 and service revenue was credited for Tk.1,600.
- A credit posting to service revenue of Tk.300 was omitted.
- Cash withdrawal of Tk.500 for Hafiz's personal use was debited to salaries expenses with corresponding credit to cash.

You are required to prepare a correct trial balance.

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5. a. "Adjusting entries are often required because of 'timing difference' between cash flows and recognition of expenses or revenue" – Explain the statement with two examples.

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b. Following are the trial balance and adjusted trial balance of Hasan Ali as at 31 December 2013:

Figure in Tk

Account Titles	Trial Balance		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit
Cash in hand & at bank	22,500		22,500	
Prepaid rent	3,500		1,500	
Office supplies	1,200		700	
Office equipment	24,000		24,000	
Accumulated dep.-Office equipment		4,800		7,200
Accounts payable		5,000		5,000
Unearned legal fees		6,500		3,500
Capital		24,400		24,400
Withdrawals	1,450		1,450	
Legal fees earned		17,500		21,800
Office salaries	500		700	

Telephone expenses	300		300	
Lighting expenses	250		400	
Accounts receivable	4,500		5,300	
	58,200	58,200		
Rent expense			2,000	
Office supplies expense			500	
Salaries payable				200
Bad debt expense			500	
Depreciation exp-Office equip.			2,400	
Lighting expense payable				150
			62,250	62,250

Requirements:

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|---|----|
| (i) Prepare adjustment entries which were necessary to prepare above adjusted trial balance. | 12 |
| (ii) Prepare income statement and owner's equity statement for the year ended 31 December 2013. | 13 |
6. At 31 December 2012 the following require inclusion in Safwan Ltd financial statements:
- (a) On 1 January 2012 the company made a loan of Tk.12,000 to an employee, repayable on 1 January 2013, charging interest at 2% per year. On the due date she repaid the loan and paid the whole of the interest due on the loan to that date.
 - (b) The company paid an annual insurance premium of Tk.9,000 in 2012, covering the year ending 31 August 2013.
 - (c) In January 2013 the company received rent from a tenant of Tk.4,000 covering the six months to 31 December 2012.

Requirement:

For these items, what total figures should be included in the company's statement of financial position as at 31 December 2013?

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- The End -